inspectors of factories showing the position in certain industries at the end of 1918. (London: Home Office. 1919. Pp. 142. 8s.)

Substitution of women in non-munition factories during the war. (London: Home Office. 1919. Pp. 52.)

War Cabinet report for the year 1918. (London. 1919. Pp. 339. 3s. 6d.)

Wartime changes in wages, September, 1914, to March, 1919. Research report no. 20. (Boston: Nat. Industrial Conference Board. 1919. Pp. xiii, 128. $1.50.)

Contains data in regard to metal, cotton, wool, silk, boot and shoe, paper, rubber, and chemical manufacturing industries. The study is based upon an analysis of the movement of hourly and weekly earnings rather than full-time earnings. Chapter 10 deals with wages and cost of living. The pamphlet is abundantly illustrated by thirty-five charts.

Works councils in the United States. (Boston: National Industrial Conference Board. 1919. Pp. 135. $1.50.)

Money, Prices, Credit, and Banking

Effects of the War on Money, Credit and Banking in France and the United States. By B. M. Anderson, Jr. Carnegie Endowment for International Peace. Preliminary Economic Studies of the War, No. 15. (New York: Oxford University Press. 1919. Pp. iv, 227.)

Students of money, banking, and finance will find this volume filled with solid information and marked by penetrating insight and illuminating interpretation. It is an interpretive and critical, finely and judicially critical, record for both countries of the main transformations effected by the war in the field under discussion.

An introduction familiarizes the reader with the main outline of the story that is told in detail in later pages, about two thirds of which, twelve chapters, fall to France, and one third, five chapters, to the United States. Financial and economic conditions in both countries at the outbreak of the war are set forth; as also conditions in foreign trade and foreign exchange, fiscal methods, banking and the medium of exchange, prices of commodities and securities. An appendix contains statistical tables and numerous graphs.

Features of outstanding interest and significance are so numerous as to make particularization difficult. A chapter on Money, Credit, and Banking in France contains an analytical contrast be-

tween the banking systems of France and of the United States that is both detailed and interesting. Perhaps the height of the contrast is the author's contention that the use of checks in France, even before the war, was by no means so restricted as has been supposed, that transfers made by French banks for their customers were and are of enormous amounts, and that it is probably not true that notes and coin are used in making the major part, *in pecuniary magnitude*, of payments in France. Moreover, bank loans in France grow chiefly out of capital and deposits (net income), whereas in the United States deposits arise from loans. The depositors of French banks are capitalists, rather than entrepreneurs who rely on bank accommodation for carrying on their businesses; and cash in French banks tended to overflow, before the war, even beyond national boundary lines.

This interesting and distinctive feature of the French system, the excess of savings and deposits over loans made at home, with the consequent overflow of French funds into foreign investments, constitutes the key to the explanation of the industrial collapse of France at the outbreak of the war. It is not "well with a nation that its people are largely capitalists and agriculturalists, instead of active entrepreneurs and factory laborers, when a great war comes" (p. 36).

The direction of French investment had been determined by the few great private banks, moved in no small degree by the prospect of high commissions on the sale of securities issued by second-rate foreign governments—instead of promoting the commerce and industry of France.

Not only did the great private banks of France play a despicable part in the investment field before the war. Overwhelmed by disastrous breaks in the prices of securities in which they had been dealing and of which they may have held large amounts, they felt themselves helpless at the outbreak of the war, curtailed lending operations, rediscounted freely at the Bank of France and hoarded the proceeds. The influence of the great private banks before the war was powerful but pernicious; during the war, salutary but feeble. Even the moratorium which "hung as a millstone about the neck of France" might have been avoided but for their weak, timid, and selfish course (p. 126).

The role of the Bank of France both before and during the war stands out in sharp contrast with that of the private institutions.

Free from responsibility for foreign investments, and limiting its profits by accumulating extraordinary gold reserves in peace, the Bank of France played a high-minded and patriotic part in the financial drama of the war. "Advances to the state for war" stood at 19,150,000,000 francs August 29, 1918, about two thirds in amount of the total note issue, which itself increased from 6,029,000,000 francs in February, 1914, to five times that amount in August, 1918—an increase that loses its portentous appearance when it is recalled that the ratio of gold to demand liabilities of banks in France was far larger before the war than the same ratio in England or the United States (p. 109).

The marshalling and interpretation of the facts bearing upon the course of financial events in the United States is in keeping with the chapters on France. The closing of the New York stock exchange is commended, the policy of restricting gold payments within the country and of restricting shipments of gold abroad is scathingly and convincingly condemned; the establishment and expansion of the federal reserve system and its services in war finance are noted and appraised; our methods of financing the war are described and defended; and, in the concluding chapter, "Prices in the United States," the course of our prices is examined and explained by reference to a shortage of goods.

At one or two points the reviewer finds himself in disagreement with the position taken by the author. First, Dr. Anderson contends that the value of money has not changed within the period of the war, that it is the value of goods that has gone up. The proof offered is that some prices have not gone up, notably rents. "Had the rise in prices been due to depreciation of money, house and apartment rents would have risen with other prices" (p. 202). Must all prices rise before the value of money declines? And when the last price moves upward—even rents and real estate prices are now rising—how is the decline in the value of money to be measured? But, in a sense, argument here seems out of place, because value to Dr. Anderson means, not power in exchange, not purchasing power, not a ratio, but rather the importance attached to the single magnitude.

Second, to Dr. Anderson's statement that bank credit has expanded as prices have risen and that "after the war when commodity prices and wages come down again—as they inevitably will in terms of gold—bank expansion will also diminish," it may

be replied: Expansion of bank credit in the United States has been made *possible* on a large scale mainly by the reduction in the reserve requirements of our commercial banks, the net acquisition by our banks of a round billion dollars in gold, and the economy of lawful money in connection with the operations of the federal reserve banks. The easy availability of bank accommodation prompted and enabled entrepreneurs to bid higher and higher—frequently against one another—for materials and labor employed in producing goods for which there existed a wartime demand. Psychological, technological, and other factors underlay the fact and determined the volume of production and exchange, but the supply of money and credit in relation to the exchanges to be made, conditioned the price level at which those exchanges were made.

Is not Dr. Anderson's belief that prices will "come down again" based on a confusion of two kinds of bank credit expansion: one seasonal or cyclical, and elastic as, for example, the expansion of Canadian bank notes in the crop-moving season; the other, out of the ordinary, relatively permanent and essentially non-recurrent, and traceable, as it were, to a lengthening of the line, and not to elasticity therein. The federal reserve system gave us an elastic and also longer tie to our wind-tossed balloon of credit. Every reduction in reserve requirements and every million dollars added to our reserve tends to unwind the elastic line. Price recessions may be expected, but they will be from a new and higher level.

To those who adhere to the "quantity theory" in its twentieth century form, Dr. Anderson's explanation of the wartime rise in prices seems one-sided and inadequate; by the members of his own school of price philosophy the same feature will be otherwise regarded. That the work is well documented, well proportioned, and highly wrought, even brilliantly done, is, at any rate, not to be gainsaid.

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Papers on Current Finance. By H. S. Foxwell. (London: Macmillan and Company. 1919. Pp. 280. 10s.)

This volume brings together with little alteration and in very acceptable form seven exceedingly interesting articles and addresses spread over the period 1909-1917, but relating either to problems raised directly by the war or to questions to which the